

Message Text

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ORIGIN COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 TRSE-00 L-03 CIAE-00
INR-07 NSAE-00 USIA-06 /036 R

DRAFTED BY COMMERCE:WTHORN:DKM
APPROVED BY EUR/SOV:MGARRISON
COMMERCE:HHEISS (DRAFT)
TREASURY:MSEARING (DRAFT)
EUR/SOV:WHEDGAR

-----151051Z 009574 /10

P 150800Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW PRIORITY

C O N F I D E N T I A L STATE 110216

E.O. 11652: GDS

TAGS: BGEN, EEWT, UR

SUBJECT: ALLIS-CHALMERS ACCREDITATION PROBLEMS

REF: A). MSOCOW 6349; B). MOSCOW 5950; C). STATE 92728

1. SUMMARY: IN MEETING WITH SOVIET TRADE REPRESENTATIVE
MAY 11, DAS DOWNEY DISCUSSED ALLIS-CHALMERS PROBLEMS
AND GAVE MKRTUMOV WRITTEN DESCRIPTION OF SITUATION THAT
ALSO RAISED MORE GENERAL QUESTIONS. A/C SUBSEQUENTLY
INFORMED BEWT THAT MFT SAID FIRM'S REP NOT ELIGIBLE FOR
MULTIPLE ENTRY/EXIT VISA BECAUSE COMPANY IS NOT
PERMANENTLY ACCREDITED. SOV TRADE REP APPARENTLY NOT
AWARE OF THESE DEVELOPMENTS AND PROMISED TO INVESTIGATE.
END SUMMARY.

2. IN RESPONSE TO USCO REQUEST PARA 8B OF REF B,
USDCO/BEWT CONTACTED ARMCO AND SPERRY-RAND AND BOTH
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CONFIRMED THAT THEY HAD INDEED RECEIVED ACCREDITATION
TO OPEN ONLY TEMPORARY REPRESENTATIONS. NEITHER FIRM,
HOWEVER, HAS YET APPROACHED UPDK FOR ITS SERVICES AND
THEREFORE HAS NOT TESTED THE MEANING OF THIS NEW
TEMPORARY DESIGNATION IN THE WAY ALLIS-CHALMERS HAS.
ARMCO HAS RECEIVED TEMPORARY SPACE IN HOTEL VOLGA,

APPARENTLY WITH HELP OF MFT'S PROTOCOL SECTION. FOR THE TIME BEING, ARMCO IS SATISFIED WITH THIS ARRANGEMENT. SPERRY-RAND ALREADY HAS ROOMS IN INTOURIST HOTEL AND HAS NO PLANS TO LEAVE THESE FACILITIES BECAUSE IT CAN GET THE JOB DONE WITH WHAT IT HAS. (FYI. SPERRY WAS "SURPRISED" WHEN ACCREDITATION CAME THROUGH, SINCE ACCORDING TO WASHINGTON REP, THE FIRM NEVER REALLY PUSHED FOR AN OFFICE AND AT THIS STAGE DOES NOT INTEND TO RENEW ACCREDITATION WHEN THIS YEAR'S PERMISSION EXPIRES. END FYI).

3. IN ADDITION TO EVENTS DESCRIBED REF B, ALLIS-CHALMERS (WASSERMAN) TOLD US THAT AFTER INITIAL MEETING WITH UPDK IN FEBRUARY, COMPANY WROTE TO UPDK CONFIRMING ITS ORAL REQUEST FOR OFFICE AND HOUSING SPACE. IN SAME LETTER, A/C ALSO SOUGHT UPDK'S APPROVAL TO SUBLET ON A TEMPORARY BASIS A VACANT BANK OF AMERICA APARTMENT. BOTH THE MFT AND GOSBANK APPROVED THIS ARRANGEMENT. WHILE IVANUSHKIN'S APRIL 14 LETTER DID NOT ADDRESS THIS PROPOSAL SPECIFICALLY, ALLIS-CHALMERS UNDERSTOOD THE LANGUAGE OF THE LETTER TO MEAN THAT UPDK WOULD NOT GRANT THIS REQUEST. THE FIRM IS OF COURSE STILL VERY INTERESTED IN SUBLETTING THE B OF A APARTMENT.

4. DAS DOWNEY DURING MEETING ON MAY 11 WITH MKRTUMOV DISCUSSED THE PROBLEMS A/C IS ENCOUNTERING. IN DESCRIBING THE SITUATION AS WE KNOW IT, DOWNEY STRESSED THAT IT WOULD BE MOST DESIRABLE TO RESOLVE THIS
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BUSINESS FACILITATION PROBLEM BEFORE THE COMMERCIAL COMMISSION MEETING. HE ALSO NOTED THAT A/C CHAIRMAN SCOTT IS NOW ON THE BOARD OF DIRECTORS OF THE US-USSR TRADE ECONOMIC COUNCIL WHOSE EXEC. COMMITTEE MEETING WITH MINISTER PATOLICHEV IS SCHEDULED FOR JUNE 13. DOWNEY GAVE MKRTUMOV AND DEPUTY TRADE REP ALEKSEEV A WRITTEN DESCRIPTION (COPY BEING POUCHED EMBASSY) OF A/C DIFFICULTIES WITH UPDK (PER REF B) AND NOTED THAT UPDK'S TREATMENT OF ALLIS-CHALMER'S REQUEST COMPARES UNFAVORABLY WITH THE PREVIOUS EXPERIENCES OF OTHER ACCREDITED US FIRMS. FURTHER, DOWNEY MENTIONED THAT A/C'S EXPERIENCES RAISE A NUMBER OF GENERAL QUESTIONS, THE MOST IMPORTANT OF WHICH IS: HAS THERE BEEN A CHANGE IN SOVIET POLICY TOWARD ACCREDITATION FIRMS, AND IF SO, ARE SOVIET ORGANIZATIONS NOW GENERALLY GRANTING PERMISSION FOR BOTH PERMANENT AND TEMPORARY REPRESENTATIONS TO WESTERN COMPANIES.

5. IN RESPONSE, MKRTUMOV SAID SIMPLY THAT THERE MUST

BE SOME MISUNDERSTANDING, AND ALEKSEEV ADDED THAT "THIS IS NOT A PROBLEM FROM OUR POINT OF VIEW." MKRTUMOV SAID THAT HE WOULD INVESTIGATE AND REPORT BACK TO US.

6. AS IF A/C DID NOT HAVE ENOUGH PROBLEMS, PERMREP SHILLINGLAW HAS NOW ENCOUNTERED RESISTENCE IN REQUEST FOR MULTIPLE ENTRY/EXIT VISA. IN TELCON AFTER DOWNEY MEETING, WASSERMAN TOLD BEWT THAT HE HAD JUST RECEIVED A TELEX FROM SHILLINGLAW STATING THAT RAKHMATULIN OF MFT'S PROTOCOL SECTION TOLD HIM HE COULD NOT OBTAIN A MULTIPLE ENTRY/EXIT VISA BECAUSE A/C IS ONLY TEMPORARILY ACCREDITED. THIS STATEMENT DIRECTLY CONTRADICTS SHPINKOV'S DECLARATION TO SHILLINGLAW ON APRIL 27 THAT TEMPORARY REPRESENTATIONS ARE ACCORDED SAME PRIVILEGES AS PERMANENT REPRESENTATIONS EXCEPT FOR PERMANENT OFFICE AND RESIDENTIAL SPACE (PARA 4 REF B). MOREOVER WASSERMAN TOLD US IN STRICTEST CONFIDENTIAL

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CONFIDENCE THAT SHILLINGLAW AND HIS FAMILY HAVE AN ACUTE NEED, DUE TO MEDICAL REASONS, FOR A MULTIPLE VISA. WASSERMAN SAID THAT AS FAR AS A/C IS CONCERNED THEIR TEMPORARY STATUS HAS GIVEN THEM ABSOLUTELY NOTHING IN THE WAY OF PRIVILEGES.

7. BEUT RELAYED THIS NEW INFORMATION TO ALEKSEEV BY PHONE SHORTLY AFTER DOWNEY MEETING, AND ALEKSEEV SAID HE WAS "FRANKLY SPEAKING SURPRISED" TO HEAR OF THIS NEW DEVELOPMENT, AND WOULD CHECK IT OUT. WESSERMAN IS ALSO APPROACHING SOVIET TRADE REP. HERE DIRECTLY.

8. ACTION REQUESTED: EMBASSY SHOULD REVIEW THESE ACCREDITATION PROBLEMS WITH MFT AT APPROPRIATE LEVEL AND EXPRESS INCREASING CONCERN OF USG WITH SPECIFIC NEGATIVE DEVELOPMENTS IN A/C CASE. EMBASSY SHOULD NOTE THAT DOWNEY DISCUSSED THESE PROBLEMS WITH MKRTUMOV AND GAVE HIM A WRITTEN DESCRIPTION. THIS SHOULD HELP REINFORCE WIT; MFT OUR STRONG DESIRE TO GET ANSWERS. WE PLAN TO CALL MKRTUMOV WITHIN 10 DAYS TO ASCERTAIN THE RESULTS OF HIS INVESTIGATION. IN THE EVENT SOVIETS DO NOT RESPOND WITHIN THIS TIME FRAME, WE PLAN TO ASK YOU TO PROTEST SOVIET ACTIONS MORE FORMALLY.

9. COMMENT: FOLLOWING DOWNEY'S PITCH ON A/C PROBLEMS, BUT WITHOUT ANY KIND OF LINKAGE, ALEKSEEV DESCRIBED "DIFFICULTIES" THAT SOVIETS ARE HAVING IN ESTABLISHING THEIR TRACTOR COMPANY IN NEW YORK. (REF C). WHILE WE HAVE NO CLEAR INDICATIONS THAT SOVIETS ARE RETALIATING AGAINST OUR LACK OF APPROVAL FOR LICENSINGTORG OR OUR

RECENTLY-REITERATED REQUIREMENT THAT THEIR EMBASSY
SUBMIT A DIPLOMATIC NOTE BEFORE SOVIET AGENCIES PURCHASE
OFFICE SPACE, IT WOULD APPEAR THAT THE MINISTRY OF
FOREIGN AFFAIRS MAY BE BEHIND OUR COMPANIES' RECENT
PROBLEMS WITH UPDK AND THE MFT. WE WOULD BE INTERESTED
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IN YOUR COMMENTS ON THIS POINT.
CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ESTABLISHMENT OF OFFICES, BUSINESS FIRMS, FOREIGN INVESTMENTS
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE110216
Document Source: CORE
Document Unique ID: 00
Drafter: WTHORN:DKM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Format: TEL
From: STATE
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Office: ORIGIN COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MOSCOW 5950, 77 STATE 92728
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2516697
Secure: OPEN
Status: NATIVE
Subject: ALLIS-CHALMERS ACCREDITATION PROBLEMS
TAGS: BGEN, EEWT, UR, ALLIS-CHALMERS
To: MOSCOW
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3f2dd593-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009